

Managerial Skills: Does Family Ownership Make a Difference?

Ivana Bulog^{a*}, Ivona Jukić^b and Dejan Kružić^a

University of Split, Faculty of Economics, Split

University of Split, University Department of Professional Studies, Split, Croatia

ABSTRACT

More than ever before, success or a failure of a modern company is the result of managers' ability to adopt his/her way of managing everyday changing circumstances. The organizational environment demands effective managers with the ability to make effective decisions which will shape business performance. So, it could be acknowledged that among several different factors that can determine a company's progress, the key factors are managers - their qualities and skills. This paper considers similarities and differences among managers in two companies in Croatia - family owned and nonfamily owned - analyzing eight essential skill areas where they should focus their efforts: understanding team dynamics, selecting and developing the right people, delegating, motivating, managing conflict, communicating, decision making and problem solving, and avoiding common managerial mistakes. Qualitative research was conducted and interesting and somewhat puzzling results were found. Results indicated that ownership made a difference concerning managerial skills. Based on the overall findings, the research offers foundation for future research in this area. The implications of the findings are discussed in terms of value for managers and their companies due to the improvement and development of all essential areas of managing.

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**Corresponding author:*
ivana.bulog@efst.hr

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1. INTRODUCTION

The importance of managers' role in their work environment and the extent to which they contribute to a company's success are questions that have for long been at the center of economic debate. Mullins and Schoar (2016, p. 24) highlighted that numerous recent studies have shown that managers are key determinants of how companies are managed and of how they perform (e.g. Bertrand and Schoar 2003, Bennedsen, Neilsen, Perez-Gonzalez, and Wolfenzon, 2007, and Bandiera, Prat and Sadun, 2013). Theoretical background could be traced back to the Upper Echelon Theory (Hambrick and Mason, 1984) which suggests that a company/firm is a reflection of its managers which have a dominant influence on the firm's strategy and outcomes. By drawing upon their knowledge, experience and values, managers act based on their personalized interpretation and judgment of the strategic situations they face (Hambrick, 2007 in: Dutta, 2009, p. 9).

As Katz (1974) pointed out knowledge and abilities of managers are more important than their personality and traits. But also knowledge today is not the exclusive determinant of manager success - emphasis is on their abilities and skills that can be learned and developed. Each person who considers himself/herself as a manager, regardless of the level of management, should develop, retain, and maintain skills necessary for performing management functions (Bahtijarević-Šiber, Sikavica and Pološki-Vokić, 2008, p. 3).

The fact of how crises in companies occur even in situations when they are successfully expanding is not surprising. This often happens because managers are not capable of running them and developing them further due to lack of necessary knowledge and managerial skills (Papulová and Mokroš, 2007). Namely, today's companies operate in challenging circumstances where situational factors are changing frequently, so, more than ever before, success or a failure of a company is the result of managers' ability to adopt their way of managing to these kinds of environments. In order to have prompt and adequate responses to pressures from all sides, they must have not only the knowledge of how to do something, but also developed skills. Managers' abilities "to understand and describe the economic performance potential of a firm's endowments" (Barney, 1991, p. 117) "rests on the integration of all, or most, of the relevant managerial skills" (Carmeli and Tishler, 2006, p. 10).

Research into managerial skills is not new in the field of economics and management. This topic has long attracted the attention of many researchers. Because of the role that managers have in today's business settings, research interest into managerial skills has increased over the last decade. Among many researchers a consensus could be noticed regarding the notion that managers are a critical and vital resource for company success, because of the significant influence they have over strategic decisions, their implementation and consequently on the company's overall success on the market.

The objective of this paper is to explore similarities and differences among managers in family owned and nonfamily owned companies by analyzing eight essential skill areas where they should focus their efforts: understanding team dynamics, selecting and developing the right people, delegating, motivating, managing conflict, communicating, decision making and problem solving, and avoiding common managerial mistakes. A large number of studies have focused on the differences between a family and a nonfamily company (Mullins and Schoar, 2016, p. 25) considering the size of the company, performance, governance structure, CEO position, leadership style, decision making style, etc. But, to our knowledge, there is no study that has analyzed whether family ownership makes a difference concerning managerial skills. This study aims to undertake a comparison between a family and a nonfamily company in Croatia, hypothesizing that when considering developed managerial skills, ownership does make a difference. This research contributes to the literature on management and leadership as well as on family firms in emerging markets.

2. MANAGERIAL SKILLS

Among the several different factors that can determine a company's progress, the key factors are managers - their qualities and skills. In fulfilling their duties managers use managerial skills which can be learned and gained by training (Papulova and Mokroš, 2007, p. 1). According to Yulk (2002, pp. 175-6) the term "skill" refers to the ability to do something in an effective manner (Carmeli and Tishler, 2006, p. 13). Successful and effective managers who are capable of responding proactively to pressure which is a part of their daily business activities, in addition to conceptual knowledge, must know how to behave in a given situation and how to get feedback on the effects of their performance. So, it could be acknowledged that managers require basic skills to establish organizational goals and determine appropriate strategies to achieve these goals (Pansiri and Temtime, 2006, p. 252).

Several researchers have identified skills that effective managers should possess. For example, Katz (1974) identified three types of skills: technical, human and conceptual. His three-skill taxonomy was developed with regard to the skills' importance for successful leadership. Christensen et al. (1978) identified human sensitivity, administrative ability, persuasion, articulation skills, creative skills, intellectual ability, and conceptual ability. His typology was developed with respect to types of leadership (taskmasters, mediators, motivators, personal leaders and architect leaders). Castanias and Helfat (1991) identified generic skills, sector related skills and organization-specific skills considering hierarchy of skills. Mumford et al. (2000) proposed three types of skills: complex problem solving skills, solution construction skills and social judgments skills. Whetten and Cameron (2001) identified ten key management behavioral skills: verbal communication, managing time and stress, managing individual decisions, recognizing, defining, and solving problems, motivating and influencing, delegating, setting goals and articulating a vision, self-awareness, team building and managing conflict. These skills were related to highly effective managers. Further, Yulk (2002) proposed this typology of managerial skills: cognitive complexity, emotional and social intelligence, self-awareness, cultural sensitivity, behavioral flexibility, and the ability to learn from experience and adapt to change. Carmeli and Tishler (2006) proposed nine managerial skills of successful managers: persuasiveness, administrative ability, fluency in speaking, knowledge about group tasks, diplomacy and tact, social skills, creativity, conceptual skills, and cleverness.

Considering the fact that managerial skills are not unique in the sense of their universality, the question is which skills are important today. An effective manager is the one who should have an extensive set of developed skills in all essential areas of managing - from planning and delegation to communication and motivation. These areas of managing become, with the company's growth and progress, more complex and demand more attention. That is why managers, regardless of the type of company, must have specific knowledge and skills to be capable of successfully performing their jobs. Those managerial skills needed to be developed and upgraded over time. In this paper eight essential skill areas where managers should focus their efforts are analyzed:

Understanding team dynamics and encouraging good relationships – Managers must understand how their teams operate. They need to be aware of the diversity regarding their personality, abilities,

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skills, and perspectives, and pilot those differences in a positive direction. They should provide encouragement and support in order to help the team to maximize efficiency.

Selecting and developing the right people – Managers must have good recruitment skills, because selecting and developing the right people is a basic requirement for achieving excellent results of the entire company. Nevertheless, a manager's individual success resides in his/her ability to select the right people.

Delegating effectively – Delegating the tasks to the right people and clearly outlining the expectations determine success of the managers themselves and the company overall. Delegation is one of the managerial skills worth improving. It enables managers' progression and multiplies managers' effectiveness. It has a positive effect on motivation and the individual development of employees. Consequently, it has a huge positive impact on the company.

Motivating people – Managers must have developed motivation skills if they want high performance employees who will, through high job satisfaction, interesting and challenging work tasks, achieve valuable and meaningful individual and organizational goals, and thus contribute to the overall business results.

Managing discipline and dealing with conflict - Effectively managing discipline and conflict is very hard job for the manager to do. People are diverse. They have different personalities, viewpoints, abilities which sometimes can escalate to personal and organizational disagreements and conflicts. Managers must discipline the members of the team trying to facilitate a resolution or avoid destructive conflict between employees if they want the company to progress.

Communicating – This is considered as a critical managerial skill. Effective communication skills are essential to company success since the manager must communicate to all stakeholders and since the level of communication effectiveness leads to more or less successful achievement of objectives.

Planning, making decisions and problem solving - Planning, problem solving and decision making are critically important skills for managers because these activities can make a great difference not only to individual managers' careers, but also to the company's position on the market.

Avoiding common managerial mistakes - It is in human nature to make mistakes. While making mistakes a person is learning, because mistakes can provide great learning opportunities. It is imperative to learning how to recognize and avoid common mistakes that managers make. This can help them to become more successful and productive, and consequently, their company can benefit.

3. FAMILY OWNERSHIP

Family companies have a long tradition and are dominant contributors to the wealth of the world economy. They have been the focus of numerous studies during the last decade due to their capacity to generate employment as well as their essential role in the wealth creation process (Garcia Perez de

Lemac and Durendez, 2007). Estimates put the proportion of family businesses worldwide between 70 and 90 percent (Shanker-Carey and Astrachan, 1996; Colli, 2003).

The family business is considered to be a form of business where control /ownership and management are concentrated within the members of the family (McClendon and Kadis, 2004). The friction between loved ones and business interest is what makes family businesses unique (Carlock and Ward, 2001). It has complex family and business issues to deal with in order to sustain growth. As a consequence, numerous studies have been carried out that attempt to identify and classify all manner of differences between family and nonfamily companies (Smith, 2007; Nauman Khan and Khan, 2011; Stavrou, Kassinis and Filotheou, 2006). Family businesses exist in two social systems: business and familial systems. The family system is characterized by emotional and stressed family relations and loyalty, while the business system is unemotional and contractually based.

Several researchers and observers have claimed that ownership matters and that the economic behavior of companies is influenced by how property rights are allocated and by who their owners are. But, according to Barth, Gulbrandsen and Schone (2005), the issue is not settled. In their research they compared the performance of family-owned versus nonfamily-owned companies in Norway and the results showed that family-owned companies are less productive than nonfamily-owned. That productivity gap is explained by differences in management regimes. They pointed out that family-owned companies managed by a manager from outside the owner family are equally productive as nonfamily-owned companies. However, family-owned companies managed by a person from the owner family, are found to be significantly less productive than nonfamily-owned.

The aim of another study was to test the main differences between private family business and nonfamily business in Spain with regard to management variables such as: strategy, strategic planning, manager's training and professionalism, and financial techniques implementation (Garcia Perez de Lema and Durendez, 2005). On a sample of 456 family companies and 183 nonfamily companies, the authors concluded that the strategic orientation adopted by family companies to compete in markets is similar to that followed by nonfamily companies. However, when they analyzed the way family companies make use of different competitiveness factors they have found some weaknesses that they need to correct. Family companies devote fewer resources to training, they attach less importance to education as a competitiveness factor, and they have a smaller proportion of managers with a university degree. Authors also found that family companies give less importance to the improvement of detailed and rigorous management planning in comparison with nonfamily companies.

Further, Nauman Khan and Khan (2011), researchers from Pakistan, tried to distinguish family run companies from nonfamily run companies by comparing their performances on a sample of 100 firms (50 family and 50 nonfamily) over a period of five years. Their most fundamental aim was to determine whether the type of ownership has any effect on the company value. Their results clearly reflected that nonfamily companies are better than family ones and they outperformed family companies with every performance variable that was included in research. Family companies, it

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seems, are more prone to indulge in private benefit extractions at the expense of minority shareholders.

It is obvious that the curiosity surrounding the relationship between family control and ownership and company performance has attracted much research around the globe. There are also positive results relating to the family effect on company performance. For example, Mishra, Randhoy and Jensen (2001) came up with a positive analysis of family companies while doing their research in Norway, so did Barontini and Caprio (2006) who also found a positive relationship between family control and company performance in Italy (e. g. Anderson and Reeb, 2003; Sraer and Thesmar, 2006; Favero, Giglio, Honorati and Panunzi, 2006). In other words, previous results and literature are mixed with both types of results: some say that family run companies perform better while others are of the opinion that the presence of family destroys the company's value.

In spite of family businesses' worldwide importance, the literature relating to family businesses issues is not proliferous, and in Croatia it is still at the emergence stage. The lack of knowledge about family businesses is also evident during the everyday contacts with entrepreneurs, owners and/or family business managers, who try to maintain family businesses in a successful way and for which management and conduction of family businesses is one of the most challenging tasks (Kružić, Pavić, Šustić, 2008). Nevertheless, results to date have been mixed and conflicting, and despite the numerous empirical studies, doubts remain as to whether family ownership and family management are good or bad for business (Miller, Minichilli and Corbetta, 2013).

To contribute to general research in comparing family and nonfamily business and to the so far limited literature that has examined this topic in Croatia, the authors of this paper, as mentioned earlier, tried to explore the similarities and differences among managers in family owned and nonfamily owned companies by analyzing the main skill areas where they need to focus their efforts and have gained some very interesting results which will be discussed in the following chapters.

4. METHODOLOGY

In an attempt to give an adequate answer to the research question and to provide the reader with an in-depth understanding of managerial skills in two different companies in a Croatia, authors decided to use the qualitative case study research method. The units of analysis were two different companies: family owned and nonfamily owned. Family owned was a Limited Liability Company, with 100% private (family) ownership. The other one was a Joint Stock Company, majority owned by two private companies. The reason for choosing these two companies in particular are the following: they both had survived the crisis period and continued to successfully operate in a turbulent and politically unstable environment. Furthermore, both companies were in the category of large enterprises (the number of employees was the main criterion used in defining large enterprises - they had about 500 employees); they were both representative of the economic activity they performed and

of their importance in the national service structure. Furthermore, both had earned an enviable reputation for their economic activities, for meeting high standards in performing various tasks, for their orientation towards international markets, for high and continuous revenues and for their contribution to increasing employment in their region.

Since the analysis was aimed at defining similarities and differences among managers in the aforementioned companies, the case study method was used. The case study method is used in cases that require profound understanding of the research subject, since its results provide the answers to the following questions: *why?* and *how?* (Yin, 2003). In contrast, the questions *what?*, *who?* and *when?* usually refer to the so-called sample method. The case study method is extremely useful in terms of challenging and redefining existing theoretical frameworks and offering scope for new hypotheses (Saunders, Lewis & Thornhill, 2003). This method is aimed at expanding the existing theoretical frameworks. In other words, the ultimate result of the method is analytical, not statistical, generalization.

Qualitative research was carried out using the in-depth interview method (interviews with the managers of the analyzed business entities). In order to carry out a thorough analysis of the business entity, a structured questionnaire was also used in the research. Preparations for the analysis of the business entity also included internal documentation analysis. The audio scripts also proved invaluable for the analysis. The aforementioned structured questionnaire was used in the course of the interviews as the research instrument.

The questionnaire was structured in two parts and it was used as the main research instrument. Its first part was focused on the basic information about the managers and the second part contained questions concerning managerial skills. The first part of the questionnaire included demographic questions of the respondents such as age, gender, education level, years of experience, position on managerial pyramid in order to see the clearer picture of managers in these companies. In the second part the questions were focused on eight essential skill areas: understanding team dynamics, selecting and developing the right people, delegating, motivating, managing conflict, communicating, decision making and problem solving, and avoiding common managerial mistakes.

Namely, after the questionnaires were gathered in order to have a clearer understanding of managerial skills, face to face interviews were done with all managers in both companies. Actually, the questions during interviews were similar to those in the questionnaire in order to get as much valid data as possible and to make some judgments, recommendations with more certainty, so as to gain a clearer and more realistic picture of managerial skills in these companies.

A total of 15 managers participated in the research. They filled out the questionnaire in the required manner and participated in interview process. They were informed about the scopes and benefits that the research will produce for them and their company. They were all very interested in the research subject and provided detailed answers to our queries. In order to perform statistical analyses, data obtained with questionnaires were collated and processed using the SPSS 23.0 and

Microsoft Excel software, accompanied by Microsoft Visio, aimed at results' presentation. In this sense, the demographic characteristics of the research sample are shown in Figure 1.

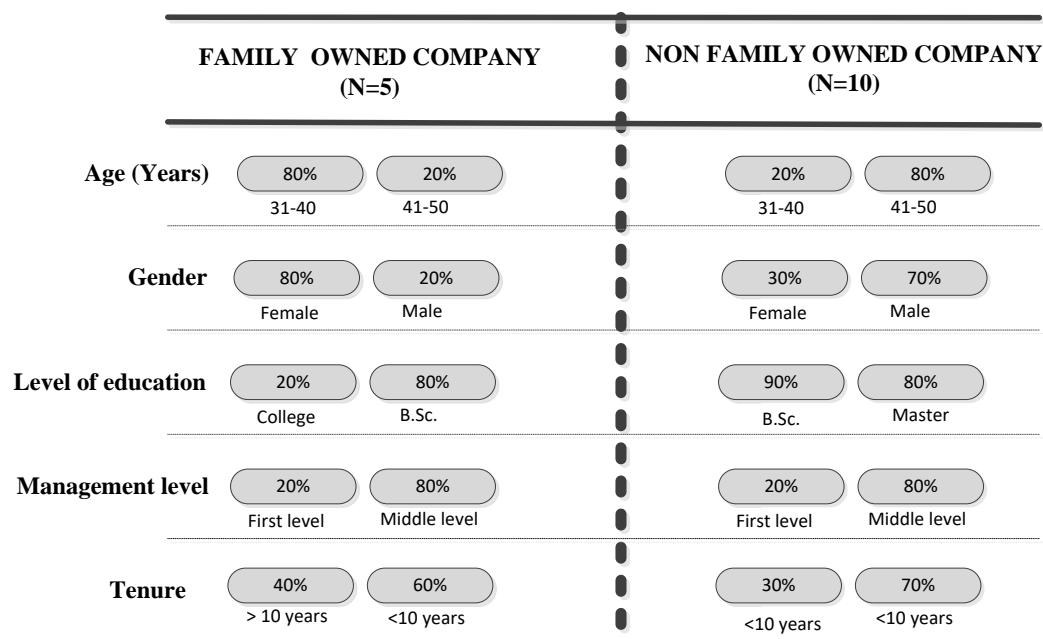


Figure 1: Demographic characteristics of the research sample

As presented in Figure 1 among three basic demographic characteristics in two analyzed companies, similarities cannot be found. Namely, family managers are younger and, surprisingly, are mainly female compared with nonfamily managers. Also, interesting but expected, nonfamily managers have a higher level of formal education. It is often the case that family members attain informal education through mentoring which substitute formal education that refers to high school and higher education degree.

5. FINDINGS

The obtained data from the questionnaires and interviews after conducting all analyses offered interesting results and insights. In the following text, only the most important results were presented. Once managers filled out the questionnaires, detailed face-to-face interviews were conducted. Table 1 and 2 present relevant findings that were obtained through interviews where we got managers' opinions about the need for each skill in their present job and through questionnaires where we obtained the real situation (managers' perceptions) of the degree to which each skill was developed. Namely, managers in both companies were asked to evaluate to what extent they possessed eight managerial skills. Statements were on a five-point scale ranging from 1= not at all, to 5= very often. Managers were asked to answer the questions from the current position to the current state, meaning

that for each statement they chose the answer that best described him/her. There were 2 – 3 questions/statements for each managerial skill category.

Table 1 considers results for family owned company, while Table 2 for nonfamily owned company. It shows that the majority of family business managers indicated that all eight skill categories were very important for business success. It showed that an effective manager required a wide range of skills, and that each of these skills complemented the others. As it can be seen from the table, the most developed skill areas were: communication, decision making, team building, and human resource development. Areas in which managers should focus their attention and work harder were: delegation and avoiding mistakes. However, if properly done, delegation successfully contributes to the increased responsibility and prevents managers from being drowned into routine activities and focused on the most critical issues. Skilled managers can tap employee strength by proper delegation of tasks (Pansiri and Temtime, 2006).

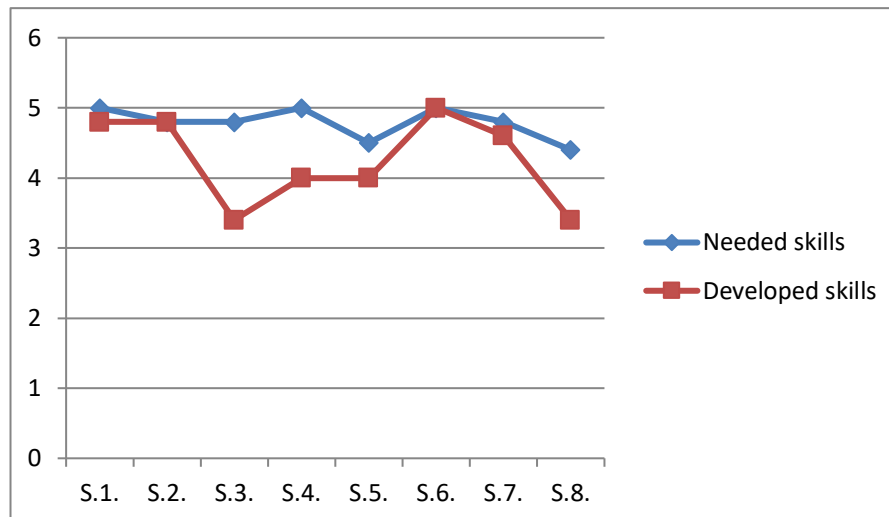
Table 1: Needed and currently developed managerial skills in family owned company

| Index | Managerial Skills | Needed skills | Developed skills |
|-------|--|---------------|------------------|
| S1 | Understanding team dynamics and encouraging good relationships | 5 | 4.8 |
| S2 | Selecting and developing the right people | 4.8 | 4.8 |
| S3 | Delegating effectively | 4.8 | 3.4 |
| S4 | Motivating people | 5 | 4 |
| S5 | Managing discipline and dealing with conflict | 4.5 | 4 |
| S6 | Communicating | 5 | 5 |
| S7 | Planning, making decisions, and problem solving | 4.8 | 4.6 |
| S8 | Avoiding common managerial mistakes | 4.4 | 3.4 |

Source: Research

Line chart below (Chart 1) presents a graphical representation of data in Table 1. In this two-dimensional scatter plot of ordered observations where the observations are connected following their order, clear differences could be seen between managers' perception of the extent to which skills should be developed in their workplace and the extent to which these skills were actually developed.

Chart 1: Needed and currently developed managerial skills in family owned company



Source: Research

Considering the real situation in the company, their goal should be to develop and improve all skills on an ongoing basis as they meet new business challenges. This will lead to the efficient and effective accomplishment of the company's objectives.

In the light of the main research question, and curious about the impact of ownership, we further analyzed the responses of nonfamily business managers following the same procedure as in a family company. There were no response differences considering managers' perception about needed stage of development for each skill area. With close to approximately 100% in both companies, managers indicated that all skill areas were of great importance for overall business success. As for nonfamily managers and situation in which they were, regarding possession of each managerial skill, they were in a slightly worse position compared to the family manager. Namely, the average points show that motivation, decision making, and conflict management were the most developed skill areas, while delegation and avoiding mistakes are the less developed. It is interesting to note that these two skill areas were also the least developed in the family company. The difference was the one that in a family company these two skill areas were at the higher level of development (see Chart 3).

Table 2: Needed and currently developed managerial skills in nonfamily owned company

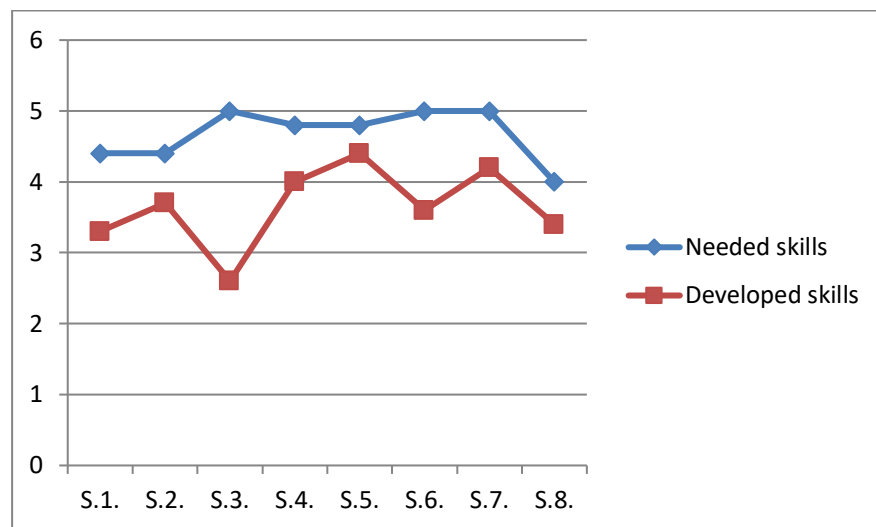
| Index | Skills | Needed skills | Developed skills |
|-------|--|---------------|------------------|
| S1 | Understanding team dynamics and encouraging good relationships | 4.4 | 3.3 |
| S2 | Selecting and developing the right people | 4.4 | 3.7 |
| S3 | Delegating effectively | 5 | 2.6 |
| S4 | Motivating people | 4.8 | 4.0 |
| S5 | Managing discipline and dealing with conflict | 4.8 | 4.4 |
| S6 | Communicating | 5 | 3.6 |
| S7 | Planning, making decisions, and | 5 | 4.2 |

| | | | |
|----|-------------------------------------|---|-----|
| | problem solving | | |
| S8 | Avoiding common managerial mistakes | 4 | 2.7 |

Source: Research

Again, the chart below gives a clear picture of the obvious differences between managers' attitudes about needed skills and the real situation regarding its development. When it concerned the nonfamily company this difference was even greater.

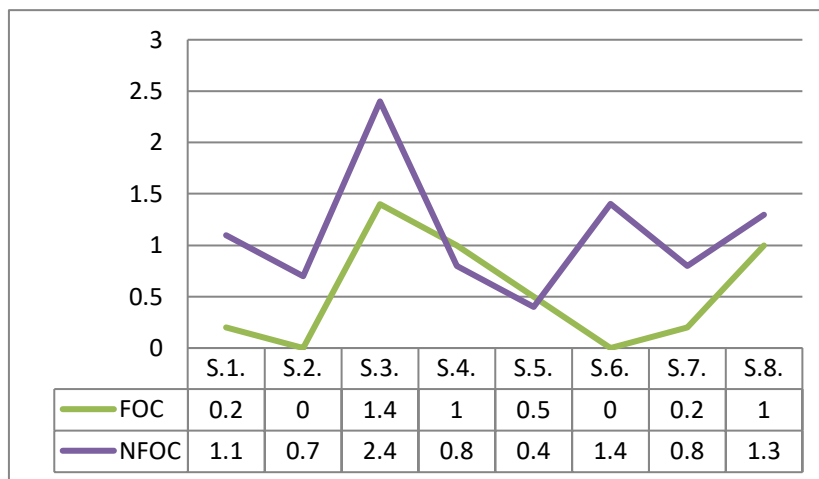
Chart 2: Needed and currently developed managerial skills in nonfamily owned company



Source: Research

An additional analysis was obtained to show the exact degree of deviation regarding the extent to which the company's managers possessed eight managerial skills. As already mentioned, a difference was found, which Chart 3 clearly shows. A graph actually reinforces what was described in previous tables: family business managers were closer to the desired state regarding the extent of development of managerial skills, when compared with nonfamily business managers. Therefore, it may be argued that there was a difference regarding managerial skills among managers in the two companies in the Croatia - family owned and nonfamily owned and that family ownership did make a difference.

Chart 3: Deviation between needed and developed managerial skills in family and nonfamily owned company



Source: Research

The overall picture of managerial effectiveness is presented with Figure 2.

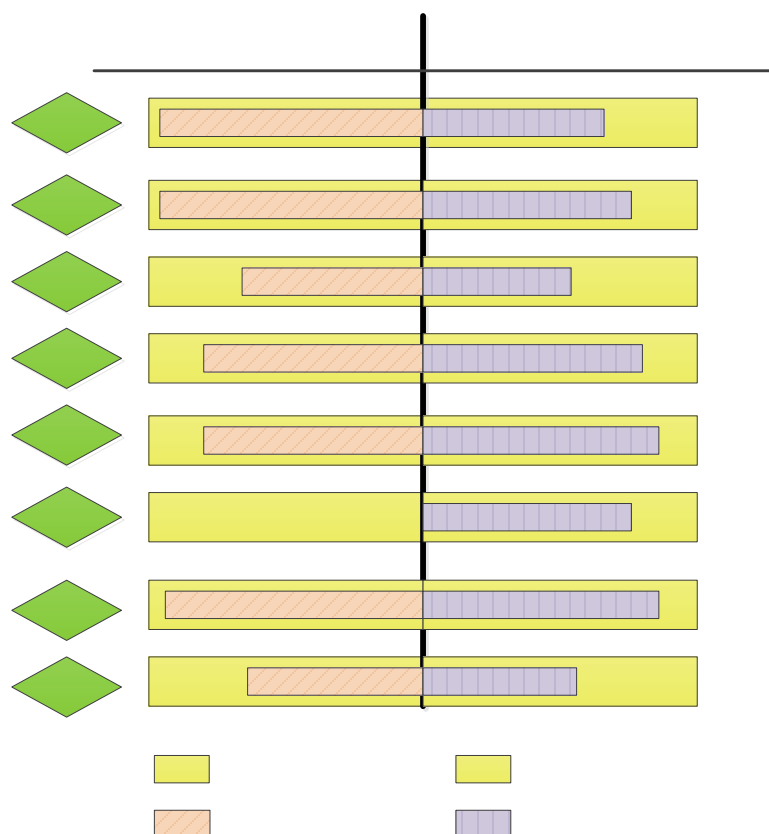


Figure 2: Managerial effectiveness - comparison of possible and actual state

It could be stated that managers in a family own company were more effective compared with managers in a nonfamily company. The values for each essential skill area were greater when a family

company was considered. In the four skill areas they reached close enough or completely the maximum value (Max=5). Perhaps, the answer to the question - why is this so – could be attributed to the fact that managers in the family company were mainly female. As can be seen from the figure, the largest minimum value was noticeable in the nonfamily company - so, it could be concluded that managers in a nonfamily company should focus more efforts on the development of their managerial skills. Those eight managerial skill areas could be some of the key skills needed. With further improvement of those skills managers can become more effective which in turn can have a major impact on individual and organizational performances. Therefore, great emphasis should be on managerial skills enhancement.

6. CONCLUSIONS

This study provided an insight into similarities and differences among managers in a family owned and a nonfamily owned company considering eight essential skill areas where they should focus their efforts: understanding team dynamics, selecting and developing the right people, delegating, motivating, managing conflict, communicating, decision making and problem solving, and avoiding common managerial mistakes. The interview results showed that the majority of managers in both companies indicated that all eight skill categories were very important for business success. They all pointed out that an effective manager requires this range of skills, and that each of these skills complements the others.

Compared with the questionnaire results of the current stage of each skill development, some interesting differences were found. Where family business managers were concerned, the most developed skill areas were: communication, decision making, team building and human resource development. Areas in which family business managers should focus their attention and work harder are: delegation and avoiding mistakes. Interestingly, the same situation was found with nonfamily managers when considering the less developed skills. The difference is that in the family company, these two skill areas are at the higher level of development.

Also, in addition, the results showed that family business managers are more close to the desired state regarding the extent of development of managerial skills, when compared with nonfamily business managers. Therefore, results suggest that there is a difference regarding managerial skills among managers between the two companies in Croatia - family owned and nonfamily owned and that family ownership does make a difference. Furthermore, findings showed that managers in the family owned company are much more effective compared with managers in the nonfamily company. The values for each essential skill area are greater when family company is considered. Since family companies differ from other type of companies because they are owned and/or controlled by families, these differences are not surprising.

Overall, it can be concluded that success or a failure of company, regardless of the ownership structure, is frequently dependent on the capabilities and competency of managers in directing a company to compete on the market. Companies need to grow and develop to survive in the current environment. This requires mastering many types of managerial skills. Different types of research revealed that for successful job performance, managers are required to possess and nurture specific knowledge, skills and abilities. As mentioned in the paper, managerial skills can be learned and gained by training. Therefore managerial skill training is an important part of managers' education.

Limitations of this study and suggestions for future research are closely linked. Indeed, future research may reduce the limitations. There is no doubt that these research results produce new questions. More research needs to be done to resolve these questions, but we have the foundations. This research can be upgraded into several directions in order to get a more detailed and complete picture about managerial skill development in Croatia in companies of any kind. Future research in this area would benefit from studies aimed at increasing the sample to achieve more easily generalization of the research conclusions. It would be beneficial to make a comparison between public and private, commercial and non-commercial, and manufacturing versus service companies. The importance of managerial skills should also be discussed in relation to the external environment, as well as the size and age of the organization.

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